

The Gender Gap Investor Roadmap

Background

Throughout the lesser-developed world to date, most governmental reform efforts to improve the business environment and encourage investment have focused on highly visible “first tier” policy issues such as macroeconomic liberalization, basic commercial law reform, and implementation of various types of fiscal incentives – primarily tax abatements for foreign investors. The importance of these formal national-level reforms should not be underestimated. Few national efforts have attempted to address, however, the daily procedural issues that deter formalization of business, impose significant direct and opportunity costs on small and medium enterprises (SMEs), and undermine the competitiveness of average firms. Further, despite macro-level improvements the formal investment response in most developing countries remains disappointing. This is so because at the level of policy implementation many “second tier” administrative, institutional, and procedural barriers that remain in place continue to deter investment.

In many countries, the success of major policy reforms related to taxes, tariffs, and foreign exchange regulations has overshadowed a lack of progress in addressing second-tier regulatory and procedural problems. These can include complicated procedures for acquiring sectoral and operating licenses, long delays in acquiring title to land, or a lack of transparency and predictability in importing and exporting. When considered individually, such constraints are often seen as merely a nuisance or extra cost to doing business. When viewed as a whole, however, these second-tier constraints can become overwhelming, deterring business startup and expansion, inducing firms to remain in the informal

sector, and reducing the competitiveness of local companies. If coupled with additional gender specific obstacles deriving from official policies or unofficial cultural and administrative practices, they can become doubly challenging for female entrepreneurs.

Due to limited resources and time, many governments have not paid enough attention to regulatory and administrative processes that limit women's options and reinforce their economic disadvantage. Even when formal policies require equal treatment of men and women, laws and regulations that are gender neutral on paper are often applied and enforced in an unequal manner. The resulting disadvantages impact women in all areas of economic intercourse, from day-to-day commercial and financing activities to interactions with government officials. Furthermore, because women in low-income countries are more likely than men to be self-employed, barriers on entrepreneurial activity, such as lack of access to credit, high transaction costs, and absence to land rights, can have a disproportionate impact on them.

Development experience has shown that assisting women in improving their economic status not only contributes to broad economic growth but also is an integral component to poverty alleviation and sustainable development. In many countries, the constitutional provisions for equality already exist and simply require a translation of these provisions into practice through legal, regulatory, and institutional change. When shown clear evidence of discrimination and its economic cost, a government can decide to ensure that institutional barriers toward women are removed and that policies are administered equally. Institutionalized disadvantages (i.e., the “gender gap”) can be identified, addressed, and eliminated, given the proper analysis and the political will for change. The TSG Gender Gap Roadmap

and resulting process reengineering interventions provide assistance to governments in their efforts to eliminate barriers to investment and economic growth for female entrepreneurs.

Methodology

Investor Roadmaps have been conducted by TSG in some 30 countries worldwide and have been very effective in highlighting areas of excessive bureaucracy and burdensome regulations that constrain private investment. TSG's Investor Roadmap projects are normally divided into two distinct phases. Phase I involves conducting a thorough diagnostic in the field and producing a detailed analysis of the procedures and constraints to investment. The first phase also usually identifies all of the government agencies that regulate investors, characterizes the nature of public-private interactions, and presents an overview of the country's investment climate. To the extent possible, examples of international best practice in public management and regulation are cited to draw comparisons and provide examples of alternatives.

The TSG Phase I approach depends heavily on direct interviewing and outreach activities, including one-on-one interviews and focus groups with entrepreneurs, government officials, business and community groups, and other stakeholders. This primary research is supplement by a thorough review and analysis of laws, regulations, government policy statements, and other secondary sources.

Phase II is focused on implementing changes to improve the investment climate, and as such it can take on many forms. In some instances, a long-term institutional advisor is placed in a government agency to shepherd through a series of institutional and management reforms. In other cases, short-term technical

experts are deployed to complete on-site training programs, multi-agency Process Improvement Workshops, or in-depth issue-specific position papers to guide government decision-making. Other implementation options include working directly with entrepreneurs to provide training and skills development, facilitate trade networking and business-to-business communication, or advise private sector associations and interest groups on strategies to increase the effectiveness of advocacy activities.

The usual Roadmap model categorizes investor interactions with government into four general process group areas that are typically sub-divided further into approximately 14 individual procedures, as follows:

- (1) Reporting – company incorporation and registration; acquiring investment incentives; and obtaining sectoral and general business licenses and permits.
- (2) Employing – foreign investor entry; expatriate work and residency permits; and hiring and firing local employees.
- (3) Locating – acquiring land; site development; connecting to utilities; and environmental compliance.
- (4) Operating – importing and exporting; currency repatriation and conversion; tax payment and registration; and resolving commercial disputes.

These processes are then subjected to a step-by-step analysis that leads to a procedural guide for investors, a detailed description of the hurdles and administrative bottlenecks that impede investment, and a set of corresponding recommendations for change. The typical TSG Roadmap would involve completing the following tasks as part of Phase I:

Legal and regulatory review – Laws and regulations are collected and analyzed to identify conflicts of law and instances where administrative practice diverges from statute.

Intensive, one-on-one interviews – At the heart of the Roadmap methodology is an intensive primary research phase where regulators, entrepreneurs, and facilitators (such as lawyers, accountants, and freight forwarding agents) are interviewed. These interviews yield a detailed, step-by-step description of the critical processes under review as well as in-depth commentary on the shortcomings in current procedures.

Process mapping – The critical path taken from starting up a business to on-going operations is explored, noting all of the steps, documents, fees, and timeframes involved. From this analysis, the major constraints are illuminated and a series of recommendations to remediate these barriers is developed.

Public Sector Validation Sessions – Because producing an accurate description of procedures is so important to the credibility of the project, the TSG methodology involves convening Public Sector Validation Sessions at which multi-agency teams can review the written descriptions of procedures and confirm their veracity. These sessions are also very useful in developing consensus on problems and creating needed buy-in among civil servants.

Private Sector Focus Groups – Complimenting the one-on-one interviews, investors are convened in focus groups to help identify and prioritize the procedural bottlenecks and issues that constraint business startup and operations, both formal and informal. If desired, separate focus groups can be formed for small, medium

and large-scale investors, or based on sectors. Each focus group usually consists of 10 to 25 investors.

Presentations of Findings – As part of the project’s strategy to mobilize private and public sector support for implementing changes in Phase II, public Presentations of Findings are scheduled to facilitate a dialogue between government officials and entrepreneurs about the specific constraints facing businesspeople and possible solutions.

Report – The initial diagnostic report consists of a description of existing procedures related to business operations organized by process group area. Each section is concluded with an analysis of the procedural and administrative shortcomings and recommendations for change.

Varying the Roadmap: The West African Gender Roadmap

As indicated previously, this same methodology can be used to collect information specific to issues related to the gender gap. By focusing on an audience of women entrepreneurs and analyzing the national and regional business environment and regulatory regime governing investment and trade, the Roadmap can illuminate the barriers that are of particular concern to businesswomen and design appropriate Phase II interventions.

The adaptability of the Roadmap methodology has been demonstrated in many countries with varying levels of economic development. For example, the Investor Roadmap has been successfully adapted to examine governance and regulatory issues at the local level in Kazakhstan and South Africa. It has been tailored to focus on specific economic sectors, such as

agriculture and tourism, most recently in Zambia. In Jordan and Malawi, whole process group areas were designated for specific attention during the implementation phase.

In identifying and removing the constraints to investment and trade among women entrepreneurs in West Africa, some distinct challenges would need to be addressed. The West African Gender Roadmap can be designed to factor in various scenarios and focus on several specific ways in which the trade and investment environment can be improved for women entrepreneurs. Several of these options are noted below.

Given the general limitations on resources, in a modified Investor Roadmap exercise a preliminary task in Phase I is **defining the target audience** in order to achieve maximal benefit for the largest number of entrepreneurs. Women investors can include farmers as well as information technology entrepreneurs, so some initial analysis will be required to assess the workforce participation rates of women business owners. Given the interest in promoting cross-border trade among women in West Africa, it may be appropriate to focus on women investors who are involved in producing goods for export, importers, and traders.

Because the West African Roadmap would consider a diverse set of countries – Mali, Senegal, Benin, and Ghana to start, with the possible secondary countries of Burkina Faso, Cote d'Ivoire, and Nigeria – it would be instructive to conduct a **regional trade flow analysis** as part of the Phase I diagnostic. This analysis would identify each targeted country's major export commodities and destinations as well import products and sources, with particular attention being paid to intra-regional trade flows. The participation of women within these broad trade patterns would need to be

assessed, and although notoriously difficult to measure, the role of women in informal sector trade would be examined. As such, individual trade transactions by female entrepreneurs would be examined and characterized. This analysis would not only help determine the economic contributions of women in regional trade, but also enable the most promising sectors for women producers and traders based on regional trends, input needs, and export patterns.

Previous experience suggests that in most countries there is little formal legal bias against women in existing statutes, but the **implementation of the law** may afford opportunities for discrimination. While formal legal discrimination and the impact of differing legal traditions in the region will be examined in Phase I – some countries have legal codes that are disadvantageous to women on issues related to property inheritance and land ownership, for example – the application of the law will be a significant focus of the Roadmap. While national level laws may be appropriately comprehensive and well written, implementing regulations and dispute resolution mechanisms may lack transparency and be open to excessive discretion by public officials.

In assessing the barriers to the success of female entrepreneurs in a developing country context, the **capacity of firms** themselves is important to consider. While many governments could make improvements in their regulation of the private sector, the capacity of the local business community, especially SMEs, to absorb new information and opportunities may be limited. Hence, it may be appropriate to include an assessment of the capacity of female entrepreneurs in West Africa. For example, West African female investors may lack the accounting, human resource management,

marketing, and other skills needed to compete on a global scale. They may also lack the financial, technological, and informational resources to invest in expanded production and identify new markets. SMEs are often disproportionately affected by regulatory and administrative constraints because they lack the resources to rely on professional facilitators, such as lawyers, accountants, and business consultants, and rarely have the access and organization that will enable their concerns to be heard in government. Depending on the capacity of the target audience of businesswomen, Phase II implementation activities may include skill development among entrepreneurs

Information sharing can be enhanced as an implementation activity, including furnishing information about how to complete trading transactions, sources of finance, trade leads, and business association and networking activities. For example, the use of radio and the Internet can be considered to create a forum for female entrepreneurs to promote networking, knowledge and skills development, and ultimately increased cross-border trade and investment.

While the first part of the exercise centers on quantifying the implications of discrimination in the four processes groups, it also endeavors to create the momentum for the second half of the exercise – change implementation. Successfully implementing change is highly dependent on **identifying motivated, well-positioned change sponsors** who can act as local partners for the Roadmap. Consequently, a well-known domestic women's organization along with an appropriately interested and credible government agency would need to be identified as local counterparts for the exercise.